In his review, Women on Boards, Lord Davies recommended that the chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards in 2013 and 2015, with the FTSE 100 aiming for at least 25% female representation in four years time. No target was set for the FTSE 350.

What has been said and where

We have been looking at what the biggest companies have been saying in response to this time limit. We can find a mere eight FTSE 100 companies who have so far announced their goals and have included what they say in this note. Five of them used the Annual Report to make their statement; the others varied between an RNS announcement, the chairman’s AGM statement and an employee diversity page on the company website.

Those that haven’t yet announced

A handful of other companies (Aggreko, Aviva, BAE Systems, Morrison Supermarkets, RBS and Scottish & Southern Energy) have referred to Davies in their Annual Reports or elsewhere when detailing their efforts to increase the number of women in senior management, but fallen short of announcing the boardroom goals he asked for. RBS, for example, kept their response to: “We are currently looking for new Directors and hope that we will be able to identify women of appropriate quality”.

Serco were also non-committal in their Annual Report: “The gender imbalance of the Board ... was noted as part of the [performance] evaluation. The Board is fully supportive of the emphasis placed on diversity, in particular gender diversity, within the Governance Code and this is a focus in the current recruitment of Non-Executive Directors of the Board.”

Two of the eight companies that have announced so far already have 25% female representation in the boardroom (Centrica and M&S), and a further 12 companies have also reached or exceeded that figure (AstraZeneca, Aviva, BAT, Burberry, Diageo, Intercontinental Hotels, Morrisons Supermarkets, Pearson, Sage, Standard Life, Unilever and Whitbread). They might have reasoned they have nothing further to say on the topic, though Davies no doubt wants to see companies commit to maintaining such levels of compliance in the future, not just report on the current position.

A further 32 companies have between 15% and 25% women directors, which means that 46 of the FTSE 100 have already got to where Davies wanted them to be by the end of 2011. Of course, a percentage measurement is not always a fair reflection of what is happening as it inevitably depends on the total number of board members: Burberry, for example, has the best ratio in the FTSE 100 with 42.9%, achieved by having three women on a board of seven, while Prudential scores only 18.8% with the same number of women on a board of 16.

Notable examples of companies where we could not find clear announcements complying with Davies include: Diageo, where Davies is himself an NED (though perhaps something will be said in their Annual Report due out shortly); Aviva, where one of his steering board’s members is chief marketing officer; and RBS and Lloyds, both of which have the government as a large shareholder. Less surprising, perhaps, are some of the overseas companies such as Kazakhmys, Glencore, Fresnillo and Antofagasta, which cannot boast one women director between them. Currently, 14 companies have all male boards.

There has, nonetheless, been an undoubted increase in the number of women appointed to FTSE 100 boards. Davies quoted Cranfield’s figure of 88 women at the end of 2010; by the end of August 2011 this figure has grown to 156. That represents an increase from 12.5% to 14.3% of all FTSE 100 directors.
When to announce

Davies issued his report on 24 February and wanted these “aspirational goals” to be announced “within the next six months (by September 2011)”. This has given rise to some confusion – is the time limit 24 August, or the beginning or end of September? Lord Davies’s letter of 24 May to Company Secretaries repeated the “by September” formula, but it seems many are not rushing to meet the deadline, whenever it falls. If results or some other scheduled announcement are due in the next four or even six weeks, and the opportunity is taken to include a Davies compliant announcement at the same time, it would seem unlikely that a company would be criticised for delay.

Other thoughts

Two other points are worth noting: many of the same faces appear several times in boardroom line-ups – Anne Godbehere, for example, is a NED at Prudential, Rio Tinto and (from October) BAT; and there is a large contingent of women from overseas – of four women on the Diageo board, one is Swedish, one French and one American. Home grown recruits can be scarce, with diversity in gender seeming to get mixed up with diversity in international experience and background.

Sanctions

And a final thought: to date we have just had Davies’s “recommendations”, with no sanction attached for non-compliance. Vince Cable at BIS has suggested that further action will be forthcoming if companies do not voluntarily begin to move towards Davies’s targets, without specifying what form sanctions might take. Elsewhere in Europe, companies which fail to comply are to be penalised in the award of government contracts or have directors’ fees suspended.

The FRC has consulted on a new provision in the UK Corporate Governance Code requiring (on a comply or explain basis) a description of policy on gender diversity in the boardroom, including any measurable objectives that directors have set for implementing the policy, and progress on achieving the objectives. Note also that the EU Justice Commissioner, Viviane Reding, is more ambitious than Lord Davies and has asked all companies to pledge to have at least 30% female board members by 2015 and 40% by 2020.

How we did our research

We carried out our research in the two weeks ended 26 August 2011, using the search words Davies, diversity and gender. We looked at the Annual Reports, Interim Results, Interim Management Statements, RNS announcements and other press releases issued by all FTSE 100 companies since the publication of the Davies Report. If you are aware of any company announcements we have missed, or if any have been published since 26 August, please let us know at martin.webster@pinsentmasons.com.

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It is our aspiration to have a minimum of 25% female representation on the Board by 2015.

Vodafone,
Annual Report 2011

Our female directors already account for nearly 30% of the Board and we would expect to at least maintain this level over the next two years .... However, we do look at diversity more broadly as we feel it is important to get the right balance of independence, skills, knowledge and experience.

Marks & Spencer,
Annual Report 2011

It is our intention that by 2015 at least 25% of our Board will constitute women. However, my foremost priority as Chairman is to ensure that Land Securities continues to have the strongest possible leadership, and we will appoint only the most appropriate candidates.

Land Securities, Annual Report 2011,
Chairman Alison Carnwath’s letter

This note does not constitute legal advice. Specific legal advice should be taken before acting on any of the topics covered.